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TAGS: PREL PGOV NZ  
SUBJECT: SCENESETTER FOR VISIT OF ADM  
FALLON AND GEN HESTER TO NEW ZEALAND

Classified By: David Burnett, Charge D'Affaires, for  
reasons 1.4 (b) and (d)

¶1. (C) Mission New Zealand warmly welcomes your visits on January 15-19 (PACAF) and January 16-22 (PACOM). New Zealand officials are also eager to meet with you. You will be arriving in New Zealand towards the end of the summer holiday period. With Parliament out of session until mid-February and many families on holiday, things in New Zealand seem especially quiet. But underneath the surface, the Government has real anxiety that it is vulnerable to opposition attacks in a number of areas, including foreign and defense policies and the Government's less than optimal relations with Washington. The officials you meet with will therefore be anxious to court you, and to assure you that there are more things that unite our countries than divide us. You are arriving in New Zealand at a time when the government is attempting to set aside, rather than address, recent strains in the U.S.-New Zealand relationship in hopes of security and a bilateral free trade agreement (FTA). NZ has stepped up cooperation in the global response to terrorism, with contributions to Operation Enduring Freedom, to Iraq reconstruction (while emphasizing that its contributions are based on a "principled position" in support of UN commitments), and to the Proliferation Security Initiative. Although the government remains hopeful for an FTA, New Zealand appears to have begun to accept the message that the U.S. will not open negotiations anytime soon. Nonetheless, a common belief among New Zealanders is that, because of New Zealand's stance on the Iraq war, or its anti-nuclear legislation, the U.S. is punishing the country by refusing to engage in FTA talks.

¶2. (C) The Labour Government appears to have recovered some public support since its near loss to the National Party in September's general elections. PM Clark remains an extremely effective manager, even appearing for the moment to have quashed Foreign Minister Peters' tendency to go off the foreign policy reservation. But Labour's recovery may have less to do with its political prowess than with the fact that the National Party has so far failed to mount an effective opposition. New Zealand, a former ally, desires much from the U.S. but is not willing or able to give much in

return. Labour party Prime Minister Helen Clark, in power since 1999, has criticized the President and U.S. policy many times. Her political cohorts have done the same. The periods leading to the U.S. elections in 2004 and the New Zealand elections in September 2005 were filled with anti-U.S. rhetoric. Helen Clark, as well as most of the politicians in New Zealand, seek the coveted FTA with U.S., mainly because Australia got one, and believe that deploying troops to Afghanistan in support of Operation Enduring Freedom (OEF) warrants it on strategic grounds.

¶3. (C) NZ Security Policy and Anti-Nuclear Legislation: New Zealand's anti-nuclear legislation, and its effect on security issues, remains a key bilateral irritant. The policy, which prohibits nuclear-armed or nuclear-powered vessels from entering NZ waters and ports, dates from 1985 and was enshrined in legislation in 1987. The legislation forced the United States to suspend its ANZUS defense alliance relationship with New Zealand, which was the intent of the Labour back-benchers pushing the legislation. After President Bush's September 1991 announcement that tactical nuclear weapons would be removed from both surface vessels and submarines, New Zealand Prime Minister James Bolger appointed an independent commission to study the safety and environmental aspects of nuclear-powered ships. The commission's report, released in December 1994 confirmed the safety of these ships. Despite this finding, many New Zealanders continue to support the anti-nuclear legislation, even while hoping for warmer relations with the United States. In the last couple of years, the Embassy has been able to stimulate a welcome public discussion in the New Zealand media and some political sectors on the costs to New Zealand of this legislation.

¶4. (C) New Zealand Defense Force: The NZDF consists of approximately 8600 active duty personnel

(4400 army, 2200 air force and 1800 navy). The Chief of Defense is Air Marshal Bruce Ferguson, who finishes his four-year contract in February 2006. He has been extended to 30 April 2006 to allow the new government to solicit for and review applicants for his position. There are a total of 22 flag or general officers in the NZDF. There are no minimum criteria for applying for the CDF position except that they stand in good favor of the government. Ferguson himself was selected over more senior candidates and was promoted from one-star to three-star upon his appointment. Most likely to be next CDF ? current Air Force Chief, Air Vice-Marshal John Hamilton; current Army Chief, Major General Jerry Mateparae; or Joint Forces Commander, Major General Lou Gardiner.

- The Army combat forces consist of two infantry battalions, two logistics battalions, one artillery regiment, one engineering regiment and a Special Air Service (SAS-special forces) group. The army has been the mainstay in the deployments to Afghanistan with a 100 plus personnel deployment to the Provincial Reconstruction Team in Bamyan and a 60 plus SAS personnel deployments to Bagram. The current SAS deployment ended November 2005 and attrition and perstempo will prevent another SAS deployment for at least a year. The PRT deployment is scheduled through to September 2006, but may not be renewed. The army recently purchased 105 light armored vehicles (U.S. Stryker frame) and 321 light operational vehicles (Pinzgauer) to make their troops more mobile. These vehicles are still in the trial phase.

- The Navy consists of two warships (Anzac class frigates), a support-supply ship and numerous patrol and small support vessels. There is one navy base - located in Auckland. The navy has under contract seven new vessels being built. One multi-role vessel designed to carry troops and equipment into benign ports (its sister ship is a ferry in Europe). The other six

vessels under construction are a combination of offshore patrol vessels (2) and inshore patrol vessels (4) to monitor maritime activities in New Zealand's EEZ. The two frigates have provided support to OEF.

- The Air Force consists of five C-130, six P-3, two B-757 and 14 Iroquois helicopters. The Clark-led government disestablished the combat air force in 2001 putting up their A-4 jets for sale and canceling their F-16 lease contract. The air force has been relegated to a transport and maritime patrol entity. P-3 planes have been used with good results in Arabian waters, in support of OEF, for patrolling and EW intercepts. In 2005, the ministry of defense announced the awarding of a contract to purchase NH-90 helicopters to replace the aging Iroquois fleet. Delivery is not expected until 2009. In addition, upgrades and life extensions are programmed for the C-130s, P-3s and B-757s.

- Prime Minister Clark instituted a defense policy that favors international peacekeeping, at the expense of interoperability with U.S. forces and the ability to contribute to regional security missions. New Zealand has remained very active in international security and peacekeeping. The NZDF participated in the first Gulf War and in Operation Enduring Freedom, and contributed peacekeepers in Cambodia, the former Yugoslavia, Somalia, and in East Timor. More recently, New Zealand police and military participated in the Australian-led Regional Assistance Mission to the Solomon Islands (RAMSI), as well as participating in reconstruction efforts in Iraq and Afghanistan.

15. (C) Iraq: New Zealand opposed Operation Iraqi Freedom on the basis that it lacked UN sanction. In fact, PM Clark stated there wouldn't have been an Iraq war if Al Gore had been elected president. NZ did contribute to post-conflict reconstruction following the passage of UNSCR 1483, in the form of a 61-person NZDF engineering team deployed in Basra in southern Iraq under British command from September 2003 until September 2004. New Zealand has pledged assistance of NZ\$10 million (approximately US\$6.5 million), mainly through UN agencies and the red cross but including nz\$1 million in direct aid to help rehabilitate the Iraqi agriculture

ministry building in Baghdad. To this day, however, PM Clark, DM Goff and other politicians still criticize the U.S. involvement in Iraq.

16. (C) US-NZ Free Trade Agreement: GNZ Still Pushing: Despite increasing recognition among GNZ officials that negotiations with the U.S. on a free-trade deal are unlikely to occur in the near term, leaders have continued to put an unjustifiably positive spin on any remarks U.S. officials have made about the chances for an agreement. The U.S. does not rule out eventual negotiations with New Zealand but it most likely won't be before the Trade Promotion Authority expires for the Bush administration in 2007. An FTA would offer U.S. producers little opportunity to expand sales in this small market whereas New Zealand producers would have significant opportunity to expand sales, particularly in meat, dairy and wine. New Zealand has also expressed concern over the US-Australia FTA disadvantaging New Zealand in that foreign investment might be diverted to Australia in preference over New Zealand. We have suggested that New Zealand should look at its restrictive regulations, tax regime and hostile attitude as reasons for foreign investment being diverted elsewhere.

17. (C) Ministers: Helen Clark, Prime Minister since 1999 sidles up to the U.S. when convenient, otherwise, her comments toward the U.S. are openly hostile in tone and substance. The former activist university professor is the key architect to the 1980s anti-nuclear policy and subsequent anti-nuclear legislation. Her position, however, was significantly weakened in the

2005 elections. The PM should be told that a return to ANZUS is not necessarily a U.S. goal but a less ad hoc relationship might be of interest. We do not want to bring nuclear-powered vessels into New Zealand but can't afford to concede policies to those who would restrict access by legislation. We can work with an anti-nuclear policy but not with a law.

- Minister Goff: Defense Minister Phil Goff is a Helen Clark loyalist and Labour Party stalwart. He makes constant references to his two nephews serving as officers in the U.S. Army pretending to completely understand the American point of view but then, when convenient for political purposes, trashes U.S. policy or decision-making. Mr. Goff is astute, savvy and politically experienced and is not easily rattled. Like the Prime Minister, he argues for an FTA and states that NZ can have a frank and open dialogue with the United States...as long as discussions don't involve the nuclear issue. Goff is likely to push for further relaxation of US military restrictions on New Zealand, as he did during his first meeting with Ambassador McCormick. He will point to New Zealand's participation with US forces in Proliferation Security Initiative exercises as well as our joint work in Afghanistan as proof that the current restrictions are outdated and counterproductive. He is not, however, likely to mention a recent NZ Defense Force briefing paper that told him U.S. restrictions were harming New Zealand's ability to remain interoperable with Australia's forces. You may want to explain to Goff why our interests elsewhere in the region prevent us from lifting the restrictions, and why New Zealand's policies hurt these interests.

- Minister Peters: Foreign Minister Winston Peters is a career politician who heads the New Zealand First Party. Because of Labour Party's recent very narrow win in the election, and strong gains by the National Party, Helen Clark had to form a piecemeal government with odd bedfellows. Winston Peters' assignment as Foreign Minister was one of the concessions made by Helen Clark to gain his party's support. He is Foreign Minister OUTSIDE of the Cabinet, however, which still has many people in, and out of, New Zealand scratching their heads. It could be a way of scapegoating Mr. Peters should the government fail and a new election is required. With Labour Party holding on to the government with such a tenuous grasp, National Party is chomping at the bits, waiting to pick up the pieces (and the government) should a snap election be called. An internal spat between any of the

coalition partners could result in a non-support vote causing the government to fail leading to a snap election. During your meeting, Peters is not likely to follow Goff's attempts to gloss over US-NZ differences, and may emphasize that he wants to improve bilateral relations. Although PM Clark (and to some extent Goff) hold the real power on foreign affairs issues, Peters is a master debater who should not be written off. Ambassador McCormick and other Embassy officials are trying to reach out to him. We recommend you tell him that U.S. officials would welcome hearing his ideas on how both sides can rebuild trust.

Burnett